

PINE RIVER AREA SCHOOLS

LEROY, MICHIGAN

JUNE 30, 2007

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2007

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September 13, 2007

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Pine River Area Schools
Leroy, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pine River Area Schools, Leroy, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Districts' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pine River Area Schools' management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pine River Area Schools, Leroy, Michigan, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2007, on our consideration of Pine River Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through x and 24, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepting in the United State of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pine River Area Schools, Leroy, Michigan basic financial statements. The combining and individual financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual financial statements and supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole

BAIRD, COTTER AND BISHOP, P.C

Baird, Cotter & Bishop, P.C.

**Pine River Area Schools
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

Pine River Area Schools, a K-12 school district located in Lake, Osceola and Wexford Counties, Michigan, offers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the District's financial activity.

Financial Highlights

Government-Wide

- ❖ The assets of the District exceeded its liabilities at the close of this fiscal year by \$3,822,969 (shown as Net Assets), representing an increase of \$230,142 over the previous fiscal year.

Fund Level Financial Highlights

- ❖ As of June 30, 2007, the governmental funds of Pine River Area Schools reported combined ending fund balances of \$4,243,943, of which \$3,843,852 is unreserved and \$400,091 is reserved.
- ❖ The unreserved fund balance of the District's General Fund increased this year by \$82,759.

Long-Term Debt

- ❖ Pine River Area Schools' total long term debt **decreased** by \$192,462 during the fiscal year.

Overview of the Financial Statements

Pine River Area Schools' financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

A. Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represented those presented by business and industry. The entire District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

B. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Pine River Area Schools, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Pine River Area Schools
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds and Debt Service Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

Governmental Funds Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of the funds are not available for supporting the District's programs. These funds are accounted for using the full accrual method of accounting.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

C. Summary of Net Assets

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the District's financial position

**Pine River Area Schools
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

over time. The Net Assets of the District are \$3,822,969 at June 30, 2007, meaning the District's assets were greater than its liabilities by this amount.

The following schedule summarizes the net assets at fiscal year ended June 30:

	<u>2007</u>	<u>2006</u>
Assets		
Current Assets	\$ 5,339,622	\$ 5,283,254
Non Current Assets		
Capital Assets	12,191,685	11,951,589
Less Accumulated Depreciation	<u>(6,154,988)</u>	<u>(5,786,847)</u>
Total Non Current Assets	<u>6,036,697</u>	<u>6,164,742</u>
Total Assets	<u><u>\$ 11,376,319</u></u>	<u><u>\$ 11,447,996</u></u>
Liabilities		
Current Liabilities	\$ 1,470,432	\$ 1,579,789
Non Current Liabilities	<u>6,082,918</u>	<u>6,275,380</u>
Total Liabilities	<u>7,553,350</u>	<u>7,855,169</u>
Net Assets		
Invested in Capital Assets Net of Related Debt (Deficit)	121,697	(35,258)
Restricted for Debt Service	343,949	248,519
Unrestricted	<u>3,357,323</u>	<u>3,379,566</u>
Total Net Assets	<u>3,822,969</u>	<u>3,592,827</u>
Total Liabilities and Net Assets	<u><u>\$ 11,376,319</u></u>	<u><u>\$ 11,447,996</u></u>

D. Analysis of Financial Position

During the fiscal year ended June 30, 2007, the District's net assets increased by \$230,142. A few of the more significant factors affecting net assets during the year are discussed below:

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2007, \$369,641 was recorded for depreciation expense.

**Pine River Area Schools
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2007, \$242,596 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above. The District capitalized technology equipment and one bus.

The net effect of the new capital assets and the current year's depreciation is a net decrease in capital assets in the amount of \$128,045 for the fiscal year ended June 30, 2007.

E. Results of Operations

For the fiscal years ended June 30, 2007, and 2006, the results of operations, on a District-wide basis, were:

	2007		2006	
	Amount	% of Total	Amount	% of Total
General Revenues				
Property Taxes	\$ 2,237,465	18.5%	\$ 1,998,997	16.4%
Investment Earnings	160,503	1.3%	101,736	0.8%
State Sources	7,396,343	61.1%	7,383,641	60.4%
Other	197,460	1.6%	217,018	1.8%
Total General Revenues	9,991,771	82.5%	9,701,392	79.4%
Program Revenues				
Charges for Services	224,196	1.9%	209,833	1.7%
Operating Grants	1,782,133	14.7%	2,266,099	18.6%
Capital Grants	114,494	0.9%	37,431	0.3%
Total Program Revenues	2,120,823	17.5%	2,513,363	20.6%
Total Revenues	\$12,112,594	100.0%	\$ 12,214,755	100.0%
Expenses				
Instruction	\$ 6,674,568	56.2%	\$ 6,479,532	57.3%
Supporting Services	3,776,552	31.8%	3,471,316	30.7%
Food Service Activities	513,192	4.3%	471,886	4.2%
Athletic Activities	250,698	2.1%	208,646	1.9%
Interest on Long-Term Debt	286,561	2.4%	297,684	2.6%
Other Transactions	11,240	0.1%	1,276	0.0%
Unallocated Depreciation	369,641	3.1%	377,813	3.3%
Total Expenses	11,882,452	100.0%	11,308,153	100.0%
Change in Net Assets	\$ 230,142		\$ 906,602	

F. Analysis of Significant Revenues and Expenditures

Significant revenues and expenditures are discussed in the segments below:

**Pine River Area Schools
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

1. Property Taxes

The District levies 18.0000 mills of property taxes for operations on non-homestead properties, after the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2006-2007 fiscal year, the District levied \$1,565,158 in non-homestead property taxes. This represented an increase of 6.92% from the prior year. The amount of unpaid property taxes at June 30, 2007, was \$10,435.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

Fiscal Year	Non-Homestead Tax Levy	% Increase (Decrease) from Prior Year
2006-2007	\$ 1,565,158	7.85%
2005-2006	1,451,225	6.92%
2004-2005	1,357,255	13.30%
2003-2004	1,197,838	-1.43%
2002-2003	1,215,185	7.26%

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2006-2007 fiscal year, the District received \$7,085 per student FTE, which represented an increase of \$210 received for the 2005-2006 fiscal year.

3. Student Enrollment

The following schedule summarizes the blended student enrollment for the past five fiscal years:

Fiscal Year	Blended Student FTE	FTE Change from Prior Year
2006-2007	1,294	(22)
2005-2006	1,316	(24)
2004-2005	1,340	(20)
2003-2004	1,360	(11)
2002-2003	1,371	(14)

**Pine River Area Schools
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2007, federal, state, and other grants accounted for \$1,896,627. This represents a decrease of \$406,903 over the total grant sources of \$2,303,530 received for the 2005-2006 fiscal year.

G. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget, and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>	<u>\$10,347,591</u>	<u>\$10,801,032</u>	<u>\$10,869,760</u>
<u>EXPENDITURES</u>			
Instruction	\$ 6,739,728	\$ 7,103,402	\$ 6,753,895
Supporting Services	3,921,352	3,940,071	3,835,021
Transfers	181,100	201,300	198,085
Total Expenditures and Transfers	<u>\$10,842,180</u>	<u>\$11,244,773</u>	<u>\$10,787,001</u>

The original revenue budget of \$10,347,591 was increased to \$10,801,032 as a result of various adjustments needed to more accurately reflect the expected revenue. This includes increases in all budgeted categories of revenue.

H. Capital Asset and Debt Administration

1. Capital Assets

By the end of the 2006-2007 fiscal year, the District had invested \$6,036,697 net of accumulated depreciation in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a decrease of \$128,045 over the prior fiscal year. Depreciation expense for the year amounted to \$369,641 bringing the total accumulated depreciation to \$6,154,988 as of June 30, 2007.

2. Long-Term Debt

At June 30, 2007, the District had \$6,411,150 in long-term debt outstanding. This represents a reduction of \$188,977 from the amount outstanding at the close of the prior fiscal year.

**Pine River Area Schools
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

I. Governmental Activities

The focus of Pine River Area Schools' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,243,943. Of this amount, 88.96% or \$3,775,350 is unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) to pay debt service, or 3) for a variety of other restricted or designated purposes.

The general fund is the chief operating fund of Pine River Area Schools. The general fund increased its fund balance by \$82,759. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$3,775,350, while total fund balance reached \$3,781,423. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 31.12% of total general fund expenditures, while total fund balance represents 31.17% of that same amount.

J. Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances is shown below:

A comparison of expenditures by fund is as follows:

Expenditures	2006-2007 Fiscal Year	2006-2005 Fiscal Year	Increase (Decrease)
General Fund	\$10,588,916	\$10,086,200	\$ 502,716
Food Service Fund	513,508	471,719	41,789
Athletic Activities Fund	258,343	225,150	33,193
Debt Service Funds	574,395	573,549	846
Total Expenditures	\$11,935,162	\$11,356,618	\$ 578,544

K. Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2007-2008 fiscal year.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance, which will continue to put a strain on district resources.

**Pine River Area Schools
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

The District contracts with two employee groups, the Pine River Education Association and the Pine River Education Support Personnel Association.

- The District is facing a slow but steady decline in student enrollment. This decline is attributed to a loss in population rather than a loss by schools of choice.
- Due to the above factors, reductions have been made in the support areas of the school district. At this time no reductions have been made that affect class size or educational opportunities for students. Student achievement continues to be the main focus of the district, with all schools in the district maintaining and exceeding the state accreditation standards for achievement. All budget decisions are made with student achievement as top priority.
- The District has recognized the need to have an ongoing budget for bus replacement and technology replacement. Our bus vehicles are new and in excellent condition for the many miles they travel each day. The district has replaced all computer hardware within the last three years and the student body utilizes 1:3 ratio of computers per student, which is well above the standard set for schools. The district has an exemplary technology program with wireless access in all buildings and classrooms with the most current technology software, and with staff support for technology integration in the classroom.
- All of these factors were considered in preparing the Pine River Area Schools' budget for the 2007-2008 fiscal year.

Contacting the District's Financial Management

- This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Business Manager, Pine River Area Schools, 17445 Pine River School Road, LeRoy, Michigan 49655.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN
STATEMENT OF NET ASSETS
JUNE 30, 2007

ASSETS

CURRENT ASSETS

Cash	\$ 55,792
Taxes Receivable	10,435
Accounts Receivable	368
Due from Other Governments	1,382,782
Inventories	9,621
Investments	3,879,661
Prepaid Expense	963
Total Current Assets	<u>5,339,622</u>

NON CURRENT ASSETS

Capital Assets	12,191,685
Less Accumulated Depreciation	<u>(6,154,988)</u>
Total Non Current Assets	<u>6,036,697</u>
TOTAL ASSETS	<u><u>\$ 11,376,319</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 69,037
Accrued Expenses	427,503
Accrued Interest Payable	46,521
Salaries Payable	599,139
Current Portion of Non Current Liabilities	<u>328,232</u>
Total Current Liabilities	<u>1,470,432</u>

NON CURRENT LIABILITIES

Bonds Payable	5,982,367
Retirement Incentive	55,727
Compensated Absences	373,056
Less Current Portion of Non Current Liabilities	<u>(328,232)</u>
Total Non Current Liabilities	<u>6,082,918</u>
Total Liabilities	<u>7,553,350</u>

NET ASSETS

Invested in Capital Assets Net of Related Debt	121,697
Restricted for Debt Service	343,949
Unrestricted	<u>3,357,323</u>
Total Net Assets	<u>3,822,969</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 11,376,319</u></u>

The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			GOVERNMENTAL
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	ACTIVITIES
					NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction					
Basic Programs	\$ 5,025,049	\$ 0	\$ 267,368	\$ 10,545	\$ (4,747,136)
Added Needs	1,649,519	0	1,117,507	0	(532,012)
Supporting Services					
Pupil	260,047	0	32,168	0	(227,879)
Instructional Staff	173,558	0	0	4,703	(168,855)
General Administration	249,912	0	0	0	(249,912)
School Administration	830,211	0	0	0	(830,211)
Business	438,217	0	0	99,246	(338,971)
Operation and Maintenance of Plant	1,120,152	0	0	0	(1,120,152)
Pupil Transportation Services	700,874	0	0	0	(700,874)
Facilities Acquisition	3,581	0	0	0	(3,581)
Food Service	513,192	162,426	359,060	0	8,294
Athletic Activities	250,698	61,770	6,030	0	(182,898)
Interest on Long Term Debt	286,561	0	0	0	(286,561)
Other Transactions	11,240	0	0	0	(11,240)
Unallocated Depreciation	369,641	0	0	0	(369,641)
Total Governmental Activities	\$ 11,882,452	\$ 224,196	\$ 1,782,133	\$ 114,494	(9,761,629)
<u>GENERAL REVENUES</u>					
Property Taxes -Levied for General Purposes					1,584,280
Property Taxes -Levied for Debt Service					653,185
Investment Earnings					160,503
State Sources					7,396,343
Other					197,460
Total General Revenues					9,991,771
Change in Net Assets					230,142
<u>NET ASSETS</u> - Beginning of Year					3,592,827
<u>NET ASSETS</u> - End of Year					\$ 3,822,969

The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS

LEROY, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2007

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash	\$ 6,121	\$ 49,671	\$ 55,792
Taxes Receivable	9,502	933	10,435
Accounts Receivable	0	368	368
Due from Other Governments	1,378,924	3,858	1,382,782
Due from Other Funds	0	31,456	31,456
Inventories	6,073	3,548	9,621
Investments	3,503,975	375,686	3,879,661
Prepaid Expense	963	0	963
TOTAL ASSETS	<u>\$ 4,905,558</u>	<u>\$ 465,520</u>	<u>\$ 5,371,078</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 66,037	\$ 3,000	\$ 69,037
Accrued Expenses	427,503	0	427,503
Salaries Payable	599,139	0	599,139
Due to Other Funds	31,456	0	31,456
Total Liabilities	<u>1,124,135</u>	<u>3,000</u>	<u>1,127,135</u>
<u>FUND BALANCES</u>			
Reserved for Inventory	6,073	3,548	9,621
Reserved for Debt Service	0	390,470	390,470
Unreserved, Undesignated	3,775,350	0	3,775,350
Unreserved, Designated - Special Revenue	0	68,502	68,502
Total Fund Balances	<u>3,781,423</u>	<u>462,520</u>	<u>4,243,943</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,905,558</u>	<u>\$ 465,520</u>	<u>\$ 5,371,078</u>

The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2007

Total Governmental Fund Balances		\$4,243,943
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$12,191,685	
Accumulated depreciation is	<u>(6,154,988)</u>	6,036,697
Long term liabilities are not due and payable in the current period and are not reported in the funds.		
Bonds Payable		(5,982,367)
Retirement Incentive		(55,727)
Compensated Absences		(373,056)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid.		<u>(46,521)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$3,822,969</u>

The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS

LEROY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 1,783,795	\$ 899,128	\$ 2,682,923
State Sources	8,138,855	19,762	8,158,617
Federal Sources	699,848	339,298	1,039,146
Other Transactions	247,262	400	247,662
Total Revenues	10,869,760	1,258,588	12,128,348
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	5,114,828	0	5,114,828
Added Needs	1,639,067	0	1,639,067
Supporting Services			
Pupil	257,704	0	257,704
Instructional Staff	183,389	0	183,389
General Administration	247,789	0	247,789
School Administration	798,671	0	798,671
Business	459,682	0	459,682
Operation and Maintenance	1,115,594	0	1,115,594
Pupil Transportation Services	757,764	0	757,764
Facilities Acquisition	3,581	0	3,581
Food Service	0	513,508	513,508
Athletic Activities	0	258,343	258,343
Debt Service			
Principal	0	285,000	285,000
Interest	0	289,002	289,002
Other Transactions	10,847	393	11,240
Total Expenditures	10,588,916	1,346,246	11,935,162
Excess (Deficiency) of Revenues Over Expenditures	280,844	(87,658)	193,186
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	0	198,085	198,085
Transfers Out	(198,085)	0	(198,085)
Total Other Financing Sources (Uses)	(198,085)	198,085	0
Net Change in Fund Balances	82,759	110,427	193,186
<u>FUND BALANCES</u> - Beginning of Year	3,698,664	352,093	4,050,757
<u>FUND BALANCES</u> - End of Year	\$ 3,781,423	\$ 462,520	\$ 4,243,943

The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

Net change in Fund Balances Total Governmental Funds	\$ 193,186
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(369,641)
Capital Outlay	242,596

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. The change in net assets differs from the change in fund balances by the cost of the capital assets sold net of accumulated depreciation.

Governmental Funds - Gain on sale of capital assets	(1,000)
---	---------

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	48,962
Accrued Interest Payable - End of Year	(46,521)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered

Federal Grant Not to be Received within 60 Days - Beginning of Year	(14,754)
Taxes Included in Deferred Revenue - Beginning of Year	(11,663)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).	285,000
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Employees Retirement Incentive and Accumulated Sick Pay are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Employees Retirement Incentive - Beginning of Year	16,218
Employees Retirement Incentive - End of Year	(55,727)
Accumulated Sick Pay - Beginning of Year	316,542
Accumulated Sick Pay - End of Year	(373,056)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 230,142</u>
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The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
	<hr/>	
<u>ASSETS</u>		
Cash	\$ 0	\$ 75,520
Investments	28,966	43,304
	<hr/>	
TOTAL ASSETS	<u>\$ 28,966</u>	<u>\$ 118,824</u>
	<hr/>	
	<u>LIABILITIES AND NET ASSETS</u>	
	<hr/>	
<u>LIABILITIES</u>		
Due to Groups and Organizations	\$ 0	\$ 118,824
	<hr/>	
<u>NET ASSETS</u>		
Reserved for Trust Activities	28,966	0
	<hr/>	
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 28,966</u>	<u>\$ 118,824</u>

The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2007

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Earnings on Investments and Deposits	\$ 1,425
<u>DEDUCTIONS</u>	
Scholarships Awarded	<u>500</u>
CHANGE IN NET ASSETS	925
<u>NET ASSETS</u> - Beginning of Year	<u>28,041</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 28,966</u></u>

The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Pine River Area Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

Pine River Area Schools (the "District") is located in Lake, Osceola and Wexford Counties with its administrative offices located at 6735 N. Pine River School Road, LeRoy, Michigan. The District operates under an elected 7-member board of education and provides services to its 1,294 students in elementary, middle, high school, and special education instruction, guidance, health, transportation, food service, athletics and recreation. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Fiduciary funds – account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Private purpose trust funds account for contributions earmarked for scholarships available to qualifying students of the District.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

The *agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on pupil membership counts taken in February and September of 2006. For fiscal year ended June 30, 2007, the per pupil foundation allowance was \$7,085 for Pine River Area Schools.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2006 to August 2007. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

D. Other Accounting Policies

1. Cash and Investments

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Michigan Investment Liquid Asset Fund Plus (MILAF).

Investments in the U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest may be purchased in any dollar amount or up to 100 percent of the available reserves.

All investments must mature or be redeemable within two (2) years of the date of purchase.

The School's deposits and investments are held separately by several of the School District's funds.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1, and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	18.000
Debt Service Fund - Homestead and non-homestead	3.250

4. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the general and special revenue funds consist of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5-15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$1,000.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

6. Compensated Absences

It is the District's policy to permit employees to accumulated earned but unused sick pay and comp time benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The District has opted to apply the provisions of GASB 34 paragraph 146, which allows the amortization of premiums, discounts and bond issuance costs, prospectively for all bonds issued after July 1, 2003.

8. Fund Equity

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, and debt service funds. All annual appropriations lapse at fiscal year-end.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
4. The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
5. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
6. Budgeted amounts are as originally adopted on June 26, 2006, or as amended by the School Board of Education on November 6, 2007, and June 25, 2007

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments - Credit Risk

The District's deposits and investments are all on deposit with banks within the District and Michigan School District Liquid Asset Fund Plus.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Investment rate risk. The District will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the District's cash requirement.

Foreign currency risk. The District is not authorized to invest in investments, which have this type of risk.

Credit risk. The District will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

Concentration of credit risk. The District will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2007, none of the government's bank balance of \$132,787 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year end, all of the District's investments were uncategorized as to risk.

At year-end, the only investments were investment trust funds.

Investments not subject to categorization:

Investment Trust Funds

\$ 4,200,753

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2007, the fair value of the District’s investments is the same as the value of the pool shares.

Balance sheet classifications:

	Deposits	Investments	Fiduciary Assets	Total
Cash	\$ 55,792	\$ 0	\$ 75,520	\$ 131,312
Investments	0	3,879,661	72,270	3,951,931
	<u>\$ 55,792</u>	<u>\$3,879,661</u>	<u>\$147,790</u>	<u>\$4,083,243</u>

B. Receivables

Receivables as of year end for the government’s individual major fund and nonmajor, and fiduciary funds are as follows:

	General	Nonmajor and Other Funds	Total
Receivables			
Taxes	\$ 9,502	\$ 933	\$ 10,435
Accounts	0	368	368
Other Governmental Units	1,378,924	3,858	1,382,782
Total Receivables	<u>\$1,388,426</u>	<u>\$ 5,159</u>	<u>\$1,393,585</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

C. Capital Assets

A summary of changes in the District's capital assets follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets:				
Buildings and additions	\$ 8,998,950	\$ 0	\$ 0	\$ 8,998,950
Machinery and equipment	1,752,896	179,777	(2,500)	1,930,173
Transportation equipment	1,199,743	62,819	0	1,262,562
Subtotal	11,951,589	242,596	(2,500)	12,191,685
Less accumulated depreciation for:				
Buildings and additions	3,655,347	192,133	0	3,847,480
Machinery and equipment	1,363,609	94,566	(1,500)	1,456,675
Transportation equipment	767,891	82,942	0	850,833
Accumulated Depreciation	5,786,847	369,641	(1,500)	6,154,988
Net capital assets	\$ 6,164,742	\$(127,045)	\$ (1,000)	\$ 6,036,697

Depreciation for the fiscal year ended June 30, 2007, amounted to \$369,641. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Long-Term Debt

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the Long-Term Debt transactions for the School District for the year ended June 30, 2007:

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

	GENERAL OBLIGATION SERIAL BONDS	DURANT SCHOOL IMPROVEMENT BONDS	ACCUMULATED SICK PAY AND RETIREMENT INCENTIVE	TOTAL
Long-Term Debt at July 1, 2006	\$ 6,200,000	\$ 67,367	\$ 332,760	\$6,600,127
Increase in Debt	0	0	107,132	107,132
Reductions in Debt	(285,000)	0	(11,109)	(296,109)
LONG-TERM DEBT AT JUNE 30, 2007	\$ 5,915,000	\$ 67,367	\$ 428,783	\$6,411,150
Due Within One Year	\$ 300,000	\$ 0	\$ 28,232	\$ 328,232

At June 30, 2007, the School District's long-term debt consisted of the following:

General Obligation Serial Bonds

1999 Refunding Bonds Due in Annual Installments of \$300,000 to \$540,000
through May 1, 2021, Plus Interest at 4.25% to 5.00% \$ 5,915,000

Self Liquidating Bond

1998 School Improvement Bond Due in Annual Installments of \$7,404 to
\$49,753 through May 15, 2013, Plus Interest at 4.07% 67,367

Accumulated Sick Pay

373,056

Retirement Incentive

55,727

\$ 6,411,150

The annual requirements to amortize all debt outstanding as of June 30, 2007, including interest payments of \$2,349,005 are as follows:

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

<u>Year Ending June 30,</u>	<u>Bonds</u>		<u>Retirement Incentive</u>		<u>Amount Payable</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2008	\$ 300,000	\$ 277,032	\$ 28,232	\$ 0	\$ 605,264
2009	320,000	271,687	23,123	0	614,810
2010	386,845	253,270	4,372	0	644,487
2011	361,570	236,407	0	0	597,977
2012	376,837	220,520	0	0	597,357
2013-2017	2,157,115	828,371	0	0	2,985,486
2018-2021	2,080,000	261,718	0	0	2,341,718
	<u>\$5,982,367</u>	<u>\$2,349,005</u>	<u>\$ 55,727</u>	<u>\$ 0</u>	<u>8,387,099</u>
Accumulated Sick Pay					<u>373,056</u>
					<u>\$8,760,155</u>

The annual requirements to amortize the accrued sick leave are uncertain because it is unknown when the employees will use the sick leave. The General Fund will generally liquidate accumulated sick pay.

E. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2007, were:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 0	\$ 31,456
School Service Fund - Food Service	17,605	0
Debt Service Fund - 1999 Debt	13,851	0
	<u>\$ 31,456</u>	<u>\$ 31,456</u>

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2007, are expected to be repaid within one year.

Interfund transfers as shown in the individual fund financial statements at June 30, 2007, were:

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

	<u>TRANSFERS</u> <u>IN</u>	<u>TRANSFERS</u> <u>OUT</u>
General Fund	\$ 0	\$ 198,085
School Service Fund - Food Service Fund	10,000	0
School Service Fund - Athletic Activities Fund	188,085	0
	<u>\$ 198,085</u>	<u>\$ 198,085</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. Leases

The rental expense for the year ended June 30, 2007, totaled \$35,690.

The rental expense consists of lease agreements on copiers. The future minimum lease payments for these leases are as follows:

<u>YEAR ENDING</u>	<u>PAYABLES</u>
2008	\$ 40,806
2009	15,393
2010	14,334
2011	14,334
2012	11,184
	<u>\$ 96,051</u>

G. Designated and Reserved Fund Balance

The School has designated the fund balance as follows:

1. Food Service and Athletic Activities

The School's policy is to show fund balance of the Food Service Fund and Athletic Activities Fund as designated for those purposes.

2. Debt Service

The entire fund balances of the Debt Service Funds are reserved for debt service.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

3. Inventory

The General Fund Balance and Food Service Fund Balance are reserved for inventories to emphasize that these amounts are not appropriable for other purposes.

NOTE 4 - OTHER INFORMATION

A. Employee Retirement System

Plan Description. The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the nine member board of MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909 or by calling (517) 322-5103.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired January 1, 1990, or later and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2007, were 16.34 % of payroll through September 2006, and 17.74% effective October 2006. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2007, 2006, and 2005 were \$1,033,284, \$914,071, and \$840,420 respectively, and were equal to the required contribution for those years.

Other Post Employment Benefits Funding Policy

Under the MPERS Act, all retirees have the option of continuing health, dental and vision coverage.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

B. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2007, or any of the prior three years.

C. Headlee Underfunding Settlement

The District received and accepted an offer from the State of Michigan to settle a lawsuit commonly known as the *Durant* case. This lawsuit related to the underfunding of state mandated special education services. The District will receive a total of \$210,897 as a result of this settlement as follows:

1. Fifty percent will be paid in ten annual installments of \$10,545 which began on November 15, 1998, without interest.
2. The remaining fifty percent was received on November 24, 1998, with bond proceeds from a Michigan Municipal Bond Authority bond program.

The ten year installment payments may be used only for textbooks, electronic instructional material, software, technology, infrastructure or infrastructure improvements, school buses, school security, technology training, or debt service payment on voter-approved bonds issued before November 19, 1997.

Money received through the Michigan Municipal Bond Authority bond program may be used only for purposes allowable under Section 1351a of the Revised School Code. Section 1351a allows payments relative to capital expenditures and improvements.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 1,607,089	\$ 1,751,650	\$ 1,783,795
State Sources	7,934,548	8,111,098	8,138,855
Federal Sources	577,500	690,834	699,848
Other Transactions	228,454	247,450	247,262
Total Revenues	10,347,591	10,801,032	10,869,760
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	5,164,498	5,468,760	5,114,828
Added Needs	1,575,230	1,634,642	1,639,067
Supporting Services			
Pupil	255,125	263,825	257,704
Instructional Staff	177,335	174,213	183,389
General Administration	294,060	269,300	247,789
School Administration	767,740	806,625	798,671
Business	489,750	482,291	459,682
Operation and Maintenance	1,189,250	1,168,500	1,115,594
Pupil Transportation Services	748,092	775,317	757,764
Facilities Acquisition	0	0	3,581
Other Transactions	0	0	10,847
Total Expenditures	10,661,080	11,043,473	10,588,916
Excess (Deficiency) of Revenues Over Expenditures	(313,489)	(242,441)	280,844
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	(181,100)	(201,300)	(198,085)
Net Change in Fund Balance	(494,589)	(443,741)	82,759
<u>FUND BALANCE - Beginning of Year</u>	3,001,137	3,123,664	3,698,664
<u>FUND BALANCE - End of Year</u>	\$ 2,506,548	\$ 2,679,923	\$ 3,781,423

PINE RIVER AREA SCHOOLS

LEROY, MICHIGAN

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2007

	SPECIAL REVENUE FUNDS	DEBT RETIREMENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash	\$ 49,671	\$ 0	\$ 49,671
Taxes Receivable	0	933	933
Accounts Receivable	368	0	368
Due from Other Governments	3,858	0	3,858
Due from Other Funds	17,605	13,851	31,456
Inventory	3,548	0	3,548
Investments	0	375,686	375,686
TOTAL ASSETS	<u>\$ 75,050</u>	<u>\$ 390,470</u>	<u>\$ 465,520</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	<u>\$ 3,000</u>	<u>\$ 0</u>	<u>\$ 3,000</u>
<u>FUND BALANCES</u>			
Reserved for Inventory	3,548	0	3,548
Reserved for Debt Service	0	390,470	390,470
Unreserved, Designated	<u>68,502</u>	<u>0</u>	<u>68,502</u>
Total Fund Balances	<u>72,050</u>	<u>390,470</u>	<u>462,520</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 75,050</u>	<u>\$ 390,470</u>	<u>\$ 465,520</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE FUNDS	DEBT RETIREMENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 231,744	\$ 667,384	\$ 899,128
State Sources	19,762	0	19,762
Federal Sources	339,298	0	339,298
Other Transactions	400	0	400
Total Revenues	<u>591,204</u>	<u>667,384</u>	<u>1,258,588</u>
<u>EXPENDITURES</u>			
Food Service	513,508	0	513,508
Athletic Activities	258,343	0	258,343
Debt Service			
Principal	0	285,000	285,000
Interest	0	289,002	289,002
Other Expenditures	0	393	393
Total Expenditures	<u>771,851</u>	<u>574,395</u>	<u>1,346,246</u>
Excess (Deficiency) of Revenues Over Expenditures	(180,647)	92,989	(87,658)
<u>OTHER FINANCING SOURCES</u>			
Transfers In	<u>198,085</u>	<u>0</u>	<u>198,085</u>
Net Change in Fund Balances	17,438	92,989	110,427
<u>FUND BALANCES</u> - Beginning of Year	<u>54,612</u>	<u>297,481</u>	<u>352,093</u>
<u>FUND BALANCES</u> - End of Year	<u>\$ 72,050</u>	<u>\$ 390,470</u>	<u>\$ 462,520</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	2007	2006
<u>ASSETS</u>		
Cash	\$ 6,121	\$ 436,824
Taxes Receivable	9,502	18,170
Due from Other Governmental Units	1,378,924	1,488,309
Inventory	6,073	13,576
Investments	3,503,975	3,000,509
Prepaid Expense	963	0
TOTAL ASSETS	<u>\$ 4,905,558</u>	<u>\$ 4,957,388</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 66,037	\$ 139,020
Due to Other Funds	31,456	40,981
Accrued Expenses	427,503	408,764
Salaries Payable	599,139	587,896
Deferred Revenue	0	82,063
Total Liabilities	<u>1,124,135</u>	<u>1,258,724</u>
<u>FUND BALANCE</u>		
Reserved for:		
Inventory	6,073	13,576
Unreserved		
Undesignated	3,775,350	3,685,088
Total Fund Balance	<u>3,781,423</u>	<u>3,698,664</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,905,558</u>	<u>\$ 4,957,388</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	2007	2006
<u>REVENUES</u>		
Local Sources	\$ 1,783,795	\$ 1,666,458
State Sources	8,138,855	8,075,956
Federal Sources	699,848	749,149
Other Transactions	247,262	591,966
	<hr/>	
Total Revenues	10,869,760	11,083,529
	<hr/>	
<u>EXPENDITURES</u>		
Instruction		
Basic Programs		
Elementary	2,025,379	1,927,118
Middle School	1,134,475	1,138,553
Secondary	1,813,245	1,682,001
Pre-School	141,729	162,361
Added Needs		
Special Education	893,964	850,066
Compensatory Education	745,103	762,896
Supporting Services		
Pupil		
Guidance Services	256,984	236,757
Health Services	720	0
Instructional Staff		
Educational Media Services	129,553	100,412
Professional Development	53,836	42,848
General Administration		
Board of Education	43,859	44,460
Executive Administration	203,930	199,232
School Administration		
Office of the Principal	798,671	706,103
Business		
Fiscal Services	178,326	189,836
Other Business Services	17,942	19,859
Technology Coordinator	263,414	158,871

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
Operation and Maintenance	1,115,594	1,207,015
Pupil Transportation Services	757,764	641,504
Facilities Acquisition	3,581	16,308
Adjustments to Prior Year Accounts	10,847	0
	<hr/>	<hr/>
Total Expenditures	10,588,916	10,086,200
	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	280,844	997,329
 <u>OTHER FINANCING SOURCES (USES)</u>		
Transfers Out	(198,085)	(169,166)
	<hr/>	<hr/>
Net Change in Fund Balance	82,759	828,163
 <u>FUND BALANCE</u> - Beginning of Year	 3,698,664	 2,870,501
	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 3,781,423	\$ 3,698,664
	<hr/> <hr/>	<hr/> <hr/>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN
GENERAL FUND
COMPARATIVE ANALYSIS OF REVENUES
YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>LOCAL SOURCES</u>		
Property Tax Levy	\$ 1,565,159	\$ 1,438,667
Penalties and Interest on Delinquent Taxes	75	289
Tuition		
Preschool	0	6,710
Earnings on Investments and Deposits	144,786	91,527
Other Local Revenues		
Miscellaneous		
Insurance Refunds and Claims	25,216	85,194
Universal Service Fund	0	8,175
Other	48,559	35,896
	<hr/>	<hr/>
Total Local Sources	1,783,795	1,666,458
	<hr/>	<hr/>
<u>STATE SOURCES</u>		
Grants-In-Aid Unrestricted		
Foundation Allowance	7,396,343	7,376,236
Golden Apple	0	3,124
Grants-In-Aid Restricted		
State School Aid		
Middle School Math Initiative	16,155	0
Early Childhood Education	135,300	132,000
Special Education	270,885	262,129
At-Risk	290,114	291,898
Durant Settlement	10,545	10,545
Driver Education	392	0
Payments in Lieu of Taxes		
Renaissance Zone	19,071	0
Swamp Tax	50	24
	<hr/>	<hr/>
Total State Sources	8,138,855	8,075,956
	<hr/>	<hr/>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN
GENERAL FUND
COMPARATIVE ANALYSIS OF REVENUES
YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>FEDERAL SOURCES</u>		
Grants-In-Aid Restricted		
Passed Through the State of Michigan		
Title I	325,510	356,619
Title V Innovative Programs	4,703	10,132
Title II-D Technology Grant	3,341	6,653
Title II-A Improving Teacher Quality	105,912	107,822
Drug Free Schools	7,668	10,481
Freedom to Learn	114,000	2,000
Comprehensive School Reform	93,000	214,949
Service Provider Self Review	4,000	0
Passed Through the Intermediate School District		
Medicaid Outreach	8,075	6,275
Passed Through Family Independence Agency		
Family Preservation/Support Services	24,500	24,500
Passed Through Department of Natural Resources		
National Forest	9,139	9,718
	<hr/>	<hr/>
Total Federal Sources	699,848	749,149
	<hr/>	<hr/>
<u>OTHER TRANSACTIONS</u>		
Transfers from Other Governmental Units		
Intermediate School Districts		
Transition Grant	0	28,786
Medicaid Caseload Coordination	49,400	51,289
Miscellaneous	73,752	6,698
Special Education	100,323	484,946
Special Education - Transportation	21,422	17,272
Mini-Grant	1,307	2,975
Sale of Fixed Assets	1,058	0
	<hr/>	<hr/>
Total Other Transactions	247,262	591,966
	<hr/>	<hr/>
TOTAL REVENUES	\$ 10,869,760	\$ 11,083,529
	<hr/>	<hr/>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>INSTRUCTION</u>		
<u>Basic Programs</u>		
<u>Elementary</u>		
Salaries	\$ 1,271,652	\$ 1,173,765
Employee Benefits	669,978	598,822
Purchased Services	1,611	97,530
Supplies and Materials	59,053	37,564
Capital Outlay	23,085	18,738
Other Expense	0	699
	<u>2,025,379</u>	<u>1,927,118</u>
<u>Middle School</u>		
Salaries	640,165	682,563
Employee Benefits	321,926	402,310
Purchased Services	0	70
Supplies and Materials	31,777	32,921
Capital Outlay	139,476	18,327
Other Expense	1,131	2,362
	<u>1,134,475</u>	<u>1,138,553</u>
<u>Secondary</u>		
Salaries	1,062,031	962,991
Employee Benefits	542,005	511,141
Purchased Services	98,380	91,135
Supplies and Materials	86,363	75,553
Capital Outlay	24,466	36,389
Other Expense	0	4,792
	<u>1,813,245</u>	<u>1,682,001</u>
<u>Pre-School</u>		
Salaries	87,274	84,965
Employee Benefits	51,914	73,824
Purchased Services	314	1,784
Supplies and Materials	2,227	1,788
	<u>141,729</u>	<u>162,361</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>Added Needs</u>		
<u>Special Education</u>		
Salaries	558,423	526,395
Employee Benefits	311,233	291,912
Purchased Services	17,717	23,855
Supplies and Materials	6,591	7,904
	<u>893,964</u>	<u>850,066</u>
<u>Compensatory Education</u>		
Salaries	473,908	492,024
Employee Benefits	243,300	256,283
Purchased Services	20,338	13,566
Supplies and Materials	7,557	1,023
	<u>745,103</u>	<u>762,896</u>
<u>SUPPORTING SERVICES</u>		
<u>Pupil</u>		
<u>Guidance Services</u>		
Salaries	159,543	148,242
Employee Benefits	85,446	72,467
Purchased Services	8,893	15,817
Supplies and Materials	3,102	231
	<u>256,984</u>	<u>236,757</u>
<u>Health Services</u>		
Purchased Services	<u>720</u>	<u>0</u>
<u>Instructional Staff</u>		
<u>Educational Media Services</u>		
Salaries	58,988	45,025
Employee Benefits	46,384	42,813
Supplies and Materials	4,801	2,010
Capital Outlay	19,380	10,564
	<u>129,553</u>	<u>100,412</u>
<u>Professional Development</u>		
Employee Benefits	23,533	11,866
Purchased Services	29,603	30,982
Other Expense	700	0
	<u>53,836</u>	<u>42,848</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>General Administration</u>		
<u>Board of Education</u>		
Salaries	2,430	1,050
Purchased Services	40,199	40,473
Other Expense	1,230	2,937
	<u>43,859</u>	<u>44,460</u>
<u>Executive Administration</u>		
Salaries	148,098	143,312
Employee Benefits	53,073	51,246
Purchased Services	1,647	2,029
Supplies and Materials	1,046	2,439
Other Expense	66	206
	<u>203,930</u>	<u>199,232</u>
<u>School Administration</u>		
<u>Office of the Principal</u>		
Salaries		
School Direction and Management	366,881	234,068
Secretarial-Clerical-Bookkeeper	167,728	235,679
Employee Benefits	261,536	235,221
Purchased Services	1,188	1,030
Supplies and Materials	1,338	105
	<u>798,671</u>	<u>706,103</u>
<u>Business</u>		
<u>Fiscal Services</u>		
Salaries	106,475	113,339
Employee Benefits	54,535	57,874
Purchased Services	3,670	8,154
Supplies and Materials	11,977	10,082
Capital Outlay	0	83
Other Expense	1,669	304
	<u>178,326</u>	<u>189,836</u>
<u>Other Business Services</u>		
Employee Benefits	11,562	16,102
Purchased Services	550	525
Other Expense	5,830	3,232
	<u>17,942</u>	<u>19,859</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

	2007	2006
<u>Technology Coordination</u>		
Salaries	117,353	51,868
Employee Benefits	48,503	34,518
Purchased Services	40,747	50,554
Supplies and Materials	15,687	0
Capital Outlay	41,124	20,931
Other Expense	0	1,000
	<u>263,414</u>	<u>158,871</u>
<u>Operation and Maintenance</u>		
Salaries	301,621	297,464
Employee Benefits	193,812	198,474
Purchased Services	540,088	645,256
Supplies and Materials	61,207	41,214
Capital Outlay	17,313	23,914
Other Expense	1,553	693
	<u>1,115,594</u>	<u>1,207,015</u>
<u>Pupil Transportation Services</u>		
Salaries	286,532	274,244
Employee Benefits	219,802	228,749
Purchased Services	16,215	3,343
Supplies and Materials	164,885	122,106
Capital Outlay	65,732	10,446
Other Expense	4,598	2,616
	<u>757,764</u>	<u>641,504</u>
<u>Facilities Acquisition</u>		
Purchased Services	<u>3,581</u>	<u>16,308</u>
Adjustments to Prior Year Accounts	<u>10,847</u>	<u>0</u>
Total Expenditures	<u>10,588,916</u>	<u>10,086,200</u>
<u>OTHER FINANCING USES</u>		
Transfers Out		
School Service Fund		
Athletics	188,085	169,166
Food Service	<u>10,000</u>	<u>0</u>
Total Other Financing Uses	<u>198,085</u>	<u>169,166</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 10,787,001</u>	<u>\$ 10,255,366</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SPECIAL REVENUE (SCHOOL SERVICE) FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2007

WITH COMPARATIVE TOTALS FOR JUNE 30, 2006

	FOOD SERVICE FUND	ATHLETIC ACTIVITIES FUND	TOTALS	
			2007	2006
<u>ASSETS</u>				
Cash	\$ 7,895	\$ 41,776	\$ 49,671	\$ 43,302
Account Receivable	368	0	368	892
Due from Other Funds	17,605	0	17,605	2,807
Due from Other Governments	3,858	0	3,858	3,745
Inventory - Supplies	882	0	882	770
Inventory - Food	2,666	0	2,666	3,096
TOTAL ASSETS	\$ 33,274	\$ 41,776	\$ 75,050	\$ 54,612
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 3,000	\$ 3,000	\$ 0
<u>FUND BALANCE</u>				
Reserved for Inventory	3,548	0	3,548	3,866
Unreserved				
Designated for:				
Athletic Activities	0	38,776	38,776	40,327
Food Service	29,726	0	29,726	10,419
Total Fund Balance	33,274	38,776	72,050	54,612
TOTAL LIABILITIES AND FUND BALANCE	\$ 33,274	\$ 41,776	\$ 75,050	\$ 54,612

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SPECIAL REVENUE (SCHOOL SERVICE) FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2007

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006

	FOOD SERVICE FUND	ATHLETIC ACTIVITIES FUND	TOTALS	
			2007	2006
<u>REVENUES</u>				
Local Sources	\$ 163,037	\$ 68,707	\$ 231,744	\$ 209,498
State Sources	19,762	0	19,762	19,032
Federal Sources	339,298	0	339,298	309,706
Other Transactions	400	0	400	0
Total Revenues	522,497	68,707	591,204	538,236
<u>EXPENDITURES</u>				
Salaries	135,129	140,044	275,173	260,524
Employee Benefits	132,525	32,913	165,438	164,199
Purchased Services	10,594	49,591	60,185	57,589
Supplies and Materials	229,579	9,840	239,419	205,091
Capital Outlay	3,736	14,928	18,664	0
Other Expenses	1,945	11,027	12,972	9,466
Total Expenditures	513,508	258,343	771,851	696,869
Excess (Deficiency) of Revenues Over Expenditures	8,989	(189,636)	(180,647)	(158,633)
<u>OTHER FINANCING SOURCES</u>				
Transfers In				
General Fund	10,000	188,085	198,085	169,166
Net Change in Fund Balance	18,989	(1,551)	17,438	10,533
<u>FUND BALANCE</u> - Beginning of Year	14,285	40,327	54,612	44,079
<u>FUND BALANCE</u> - End of Year	\$ 33,274	\$ 38,776	\$ 72,050	\$ 54,612

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHOOL SERVICE FUND - FOOD SERVICE

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 7,895	\$ 2,975
Accounts Receivable	368	892
Due from Other Funds	17,605	2,807
Due from Other Governments	3,858	3,745
Inventory - Supplies	882	770
Inventory - Food	2,666	3,096
	<hr/>	<hr/>
TOTAL ASSETS	\$ 33,274	\$ 14,285
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Reserved for Inventory	3,548	3,866
Unreserved		
Designated for Food Service	29,726	10,419
	<hr/>	<hr/>
Total Fund Balance	33,274	14,285
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 33,274	\$ 14,285
	<hr/>	<hr/>

PINE RIVER AREA SCHOOLS

LEROY, MICHIGAN

SCHOOL SERVICE FUND - FOOD SERVICE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources			
Food Sales to Pupils	\$ 143,000	\$ 147,470	\$ 137,667
Food Sales to Adults	7,500	7,738	5,295
Earnings on Investments and Deposits	500	611	375
Miscellaneous			
Headstart and Other	7,000	7,218	8,053
State Sources			
State Aid	19,000	19,762	19,032
Federal Sources			
Federal Aid	290,000	297,938	281,507
USDA Donated Entitlement Commodities	22,000	41,220	23,354
USDA Donated Bonus Commodities	4,500	140	4,845
Other Transactions			
Sale of Fixed Assets	400	400	0
Total Revenues	493,900	522,497	480,128
<u>EXPENDITURES</u>			
Salaries			
Cooks and Assistants	138,000	135,129	129,932
Employee Benefits			
Health, Life and Dental Insurance	103,000	98,258	104,233
Retirement	25,000	23,655	21,079
Employer Social Security	11,100	10,612	9,936
Purchased Services			
Audit	1,500	1,500	1,500
Trash Removal	5,900	5,115	4,826
Repairs	4,100	3,979	3,198
Supplies and Materials			
Food Purchases	182,000	174,906	156,488

PINE RIVER AREA SCHOOLS

LEROY, MICHIGAN

SCHOOL SERVICE FUND - FOOD SERVICE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	2007		2006
	BUDGET	ACTUAL	ACTUAL
USDA Donated Commodities	26,500	41,360	28,199
Other Supplies	14,500	13,313	10,378
Capital Outlay			
Equipment	4,000	3,736	0
Other Expenses			
Sales Tax - Adult Lunches	450	438	300
Miscellaneous	2,000	1,507	1,650
Total Expenditures	518,050	513,508	471,719
Excess (Deficiency) of Revenues Over Expenditures	(24,150)	8,989	8,409
<u>OTHER FINANCING SOURCES</u>			
Transfers In - General Fund	10,000	10,000	0
Net Change in Fund Balance	(14,150)	18,989	8,409
<u>FUND BALANCE</u> - Beginning of Year	14,285	14,285	5,876
<u>FUND BALANCE</u> - End of Year	\$ 135	\$ 33,274	\$ 14,285

PINE RIVER AREA SCHOOLS

LEROY, MICHIGAN

SCHOOL SERVICE FUND - ATHLETIC ACTIVITIES

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	2007		2006
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Local Sources			
Admissions	\$ 30,000	\$ 33,091	\$ 34,873
Donations	6,000	6,030	6,000
District/Regional Meets	1,000	7,520	3,363
Sale of Supplies	500	962	2,766
Tournament Entry Fees	6,500	16,122	6,887
Concession	3,500	4,075	4,219
Earnings on Investments and Deposits	0	907	0
Total Revenues	47,500	68,707	58,108
<u>EXPENDITURES</u>			
Salaries			
Coaches	135,000	140,044	130,592
Employee Benefits			
Retirement	23,800	22,241	18,996
Employer Social Security	10,300	10,672	9,955
Purchased Services			
Officials	24,000	22,449	19,755
Game Workers	2,000	1,790	1,165
Registrations, Dues and Entry Fees	6,500	13,900	5,717
Repairs, Equipment and Uniforms	15,000	11,452	21,428
Supplies and Materials			
Athletic Supplies	7,000	6,467	4,137
Awards and Trophies	7,000	3,373	5,889
Capital Outlay			
Equipment	18,000	14,928	0

PINE RIVER AREA SCHOOLS

LEROY, MICHIGAN

SCHOOL SERVICE FUND - ATHLETIC ACTIVITIES

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	2007		2006
	BUDGET	ACTUAL	ACTUAL
Other Expenses			
Mileage and Conferences	1,500	0	614
Concession	0	0	753
District/Regional Meets	8,000	2,740	4,691
Transportation	16,000	5,766	0
Miscellaneous	900	2,521	1,458
Total Expenditures	275,000	258,343	225,150
Excess (Deficiency) of Revenues Over Expenditures	(227,500)	(189,636)	(167,042)
<u>OTHER FINANCING SOURCES</u>			
Transfers In - General Fund	200,100	188,085	169,166
Net Change in Fund Balance	(27,400)	(1,551)	2,124
<u>FUND BALANCE</u> - Beginning of Year	38,413	40,327	38,203
<u>FUND BALANCE</u> - End of Year	\$ 11,013	\$ 38,776	\$ 40,327

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

DEBT RETIREMENT FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2007
WITH COMPARATIVE TOTALS FOR JUNE 30, 2006

	1999 PINE RIVER DEBT	1998 DURANT DEBT	TOTAL	
			2007	2006
<u>ASSETS</u>				
Taxes Receivable	\$ 933	\$ 0	\$ 933	\$ 2,566
Due from Other Funds	13,851	0	13,851	38,174
Investments	375,686	0	375,686	256,741
TOTAL ASSETS	<u>\$ 390,470</u>	<u>\$ 0</u>	<u>\$ 390,470</u>	<u>\$ 297,481</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE</u>				
Reserved for Debt Service	390,470	0	390,470	297,481
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 390,470</u>	<u>\$ 0</u>	<u>\$ 390,470</u>	<u>\$ 297,481</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

DEBT RETIREMENT FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2007

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006

	1999 PINE RIVER DEBT	1998 DURANT DEBT	TOTAL	
			2007	2006
<u>REVENUES</u>				
Local Sources				
Property Tax Levy	\$ 653,185	\$ 0	\$ 653,185	\$ 560,306
Earnings on Investments and Deposits	14,199	0	14,199	9,834
Miscellaneous	0	0	0	691
State Sources				
State Aid	0	0	0	7,405
Total Revenues	667,384	0	667,384	578,236
<u>EXPENDITURES</u>				
Redemption of Serial Bonds	285,000	0	285,000	265,000
Interest on Debt	289,002	0	289,002	307,273
Dues and Fees	393	0	393	1,276
Total Expenditures	574,395	0	574,395	573,549
Excess (Deficiency) of Revenues Over Expenditures	92,989	0	92,989	4,687
<u>FUND BALANCE</u> - Beginning of Year	297,481	0	297,481	292,794
<u>FUND BALANCE</u> - End of Year	\$ 390,470	\$ 0	\$ 390,470	\$ 297,481

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

FIDUCIARY FUND TYPES
COMBINING BALANCE SHEET

JUNE 30, 2007
WITH COMPARATIVE TOTALS FOR JUNE 30, 2006

		PRIVATE PURPOSE TRUST FUND	AGENCY FUNDS STUDENT ACCOUNTS	ACTIVITY ACCOUNTS	TOTALS	
					2007	2006
<u>ASSETS</u>						
Cash		\$ 0	\$ 69,352	\$ 6,168	\$ 75,520	\$ 76,234
Investments		28,966	0	43,304	72,270	42,725
TOTAL ASSETS		<u>\$ 28,966</u>	<u>\$ 69,352</u>	<u>\$ 49,472</u>	<u>\$ 147,790</u>	<u>\$ 118,959</u>
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Due to Groups and Organizations		\$ 0	\$ 69,352	\$ 49,472	\$ 118,824	\$ 90,918
<u>FUND BALANCE</u>						
Reserved for						
Student Scholarships		28,966	0	0	28,966	28,041
TOTAL LIABILITIES AND FUND BALANCE		<u>\$ 28,966</u>	<u>\$ 69,352</u>	<u>\$ 49,472</u>	<u>\$ 147,790</u>	<u>\$ 118,959</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

PRIVATE PURPOSE TRUST FUND
MILDRED LARSON SCHOLARSHIP

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
Earnings on Investments	\$ 1,425	\$ 1,073
<u>EXPENDITURES</u>		
Scholarships Awarded	<u>500</u>	<u>500</u>
Excess (Deficiency) of Revenues Over Expenditures	925	573
<u>FUND BALANCE</u> - Beginning of Year	<u>28,041</u>	<u>27,468</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 28,966</u>	<u>\$ 28,041</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

AGENCY FUND
STUDENT ACCOUNTS

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2007

	BALANCE 7/01/06	RECEIPTS (INCLUDING TRANSFERS)	DISBURSEMENTS	BALANCE 6/30/07
Band	\$ 723	\$ 8,288	\$ 9,179	\$ (168)
Band Boosters	4,142	6,945	10,835	252
Buckaneer (School Paper)	(257)	257	0	0
Choir	(151)	151	0	0
Class of 2000	(448)	448	0	0
Class of 2001	951	0	951	0
Class of 2004	843	0	843	0
Class of 2005	2,672	0	2,672	0
Class of 2006	546	0	454	92
Class of 2007	68	3,060	2,939	189
Class of 2008	1,930	834	2,501	263
Class of 2009	1,673	2,837	2,047	2,463
Class of 2010	917	2,983	2,210	1,690
Class of 2011	646	3,223	2,942	927
Class of 2012	192	5,163	4,645	710
Class of 2013	0	1,336	935	401
Color Guard	39	444	274	209
Destination	10,622	9,967	6,713	13,876
Drama Club - HS	3,246	2,084	1,380	3,950
Drama Club - MS	1,241	451	491	1,201
Europe Trip	(1,615)	34,970	33,355	0
Fedewa D.I. Scholarship	4,500	0	500	4,000
German	325	0	325	0
"Jean" Benefit	130	327	457	0
Kindergarten Snack	213	0	0	213
Middle School Jean Account	425	347	75	697
Middle School Flower Fund	35	150	116	69
Middle School Pop Fund	4,250	2,655	3,269	3,636
N.H.S.	678	2,820	2,493	1,005
N.J.H.S.	641	932	727	846
Omega Project	94	0	0	94

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

AGENCY FUND
STUDENT ACCOUNTS

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2007

	BALANCE 7/01/06	RECEIPTS (INCLUDING TRANSFERS)	DISBURSEMENTS	BALANCE 6/30/07
Scholarship	30,822	7,970	7,000	31,792
Spanish Trip	(4,481)	6,647	1,040	1,126
Class Projects (Benson)	193	2,603	2,175	621
Student Council - MS	1,366	2,168	2,036	1,498
Student Council - HS	628	5,974	7,107	(505)
S.A.D.D. - MS	205	0	0	205
S.A.D.D. - HS	105	0	0	105
Vending Machine	1,937	3,562	4,012	1,487
Yearbook - MS	(552)	1,241	1,694	(1,005)
Yearbook - HS	(26,436)	43,164	19,315	(2,587)
	<u>\$ 43,058</u>	<u>\$ 164,001</u>	<u>\$ 137,707</u>	<u>\$ 69,352</u>
Represented by				
Assets				
Cash	<u>\$ 43,058</u>			<u>\$ 69,352</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 43,058</u>			<u>\$ 69,352</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

AGENCY FUND
ACTIVITY ACCOUNTS

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2007

	BALANCE 7/01/06	RECEIPTS (INCLUDING TRANSFERS)	DISBURSEMENTS	BALANCE 6/30/07
Administrative Flower Fund	\$ 6	\$ 578	\$ 423	\$ 161
Art Department	282	0	0	282
Band Special Project	(2,083)	2,083	0	0
Best Scholarship	70	0	0	70
Cheerleading	1,724	3,583	3,622	1,685
Cheerleading - MS	(4)	4	0	0
Coaches Golf	6,153	10,343	8,716	7,780
Cross Country	1,020	720	0	1,740
Elementary Library	164	0	0	164
English Department	0	1,000	0	1,000
Football	876	5,160	5,160	876
Football M.S.	271	412	90	593
Girls Basketball	875	5,685	5,374	1,186
Girls Track	520	12,286	14,458	(1,652)
Haan Craft Resale	(247)	247	0	0
High School Library	2,399	2,244	2,057	2,586
Leroy Activities	(200)	2,900	1,201	1,499
Luther Activities	5,428	3,551	5,920	3,059
Northern Travel League	0	485	465	20
NSF Chargebacks	(1,827)	1,828	1	0
P.R. Golf Classic	6,696	0	5,170	1,526
Revolving Fund	(658)	8,822	6,580	1,584
Shop Class	2,459	0	1,560	899
Shop "Chair" Account	1,454	195	0	1,649
Ski Club	228	0	0	228
Soccer	541	1,090	1,021	610
Softball	645	3,250	2,659	1,236
Special Activities - MS	2,367	4,421	3,139	3,649
Special Activities - HS	3,693	4,063	4,267	3,489
Summer Basketball	1,246	1,875	1,943	1,178
Science - MS	0	128	128	0

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

AGENCY FUND
ACTIVITY ACCOUNTS

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2007

	BALANCE 7/01/06	RECEIPTS (INCLUDING TRANSFERS)	DISBURSEMENTS	BALANCE 6/30/07
Summer Camps	200	1,602	800	1,002
Tech Dept.	1,242	1,300	658	1,884
Track - MS	0	670	670	0
Tustin Activities	1,540	2,855	743	3,652
Varsity Baseball	2,063	2,682	3,717	1,028
Varsity Track	138	1,334	100	1,372
Varsity Volleyball	2,408	2,730	2,328	2,810
Volleyball M.S.	776	1,859	2,314	321
Weight Room	1,796	3,430	4,738	488
Wrestling Resale	2,332	14,613	18,271	(1,326)
Youth Basketball	1,267	992	1,115	1,144
	<u>\$ 47,860</u>	<u>\$ 111,020</u>	<u>\$ 109,408</u>	<u>\$ 49,472</u>
Represented by				
Assets				
Cash	\$ 33,176			\$ 6,168
Investments	14,684			43,304
Total Assets	<u>\$ 47,860</u>			<u>\$ 49,472</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 47,860</u>			<u>\$ 49,472</u>

PINE RIVER AREA SCHOOLS

LEROY, MICHIGAN

SCHEDULE OF 2006 TAX ROLL

YEAR ENDED JUNE 30, 2007

	STATE TAXABLE VALUATION	TAXES ASSESSED	TAXES COLLECTED	TAXES RETURNED DELINQUENT
<u>GENERAL FUND (18.0000 MILLS)</u>				
<u>OSCEOLA COUNTY</u>				
Burdell Township	\$ 10,597,610	\$ 190,755	\$ 156,624	\$ 34,131
Cedar Township	4,569,515	82,249	72,401	9,848
Hartwick Township	404,629	7,283	6,752	531
Leroy Township	10,401,926	187,233	164,610	22,623
Lincoln Township	5,392,541	97,065	81,712	15,353
Rose Lake Township	21,707,675	390,734	354,308	36,426
Sherman Township	7,409,610	133,372	120,519	12,853
<u>WEXFORD COUNTY</u>				
Cherry Grove Township	240,505	4,329	3,937	392
Clam Lake Township	861,173	15,501	12,242	3,259
<u>LAKE COUNTY</u>				
Dover Township	4,877,772	87,799	81,024	6,775
Ellsworth Township	9,121,294	164,181	143,286	20,895
Newkirk Township	9,035,450	162,636	139,736	22,900
Pinora Township	2,333,482	42,022	35,113	6,909
	<u>\$ 86,953,182</u>	<u>\$ 1,565,159</u>	<u>\$ 1,372,264</u>	<u>\$ 192,895</u>
<u>DEBT RETIREMENT FUND (3.2500 MILLS)</u>				
<u>(1999 BOND ISSUE)</u>				
<u>OSCEOLA COUNTY</u>				
Burdell Township	\$ 31,725,255	\$ 103,092	\$ 88,066	\$ 15,026
Cedar Township	8,574,389	27,838	23,358	4,480
Hartwick Township	972,324	3,160	2,951	209
Leroy Township	28,237,101	91,765	79,587	12,178
Lincoln Township	13,579,851	44,128	36,588	7,540
Rose Lake Township	43,847,879	142,491	124,923	17,568
Sherman Township	19,202,185	62,404	55,250	7,154
<u>WEXFORD COUNTY</u>				
Cherry Grove Township	746,095	2,425	2,192	233
Clam Lake Township	3,091,809	10,048	8,500	1,548
<u>LAKE COUNTY</u>				
Dover Township	10,239,975	33,257	29,970	3,287
Ellsworth Township	19,442,920	63,185	55,193	7,992
Newkirk Township	15,874,219	51,587	42,531	9,056
Pinora Township	5,131,647	16,677	14,075	2,602
	<u>\$ 200,665,649</u>	<u>\$ 652,057</u>	<u>\$ 563,184</u>	<u>\$ 88,873</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF 2006 INDUSTRIAL FACILITIES TAX ROLL
YEAR ENDED JUNE 30, 2007

	STATE TAXABLE VALUATION	TAXES ASSESSED	TAXES COLLECTED	TAXES RETURNED DELINQUENT
<u>GENERAL FUND (9.0000 MILLS)</u>				
<u>OSCEOLA COUNTY</u>				
Leroy Township				
State Share	\$ 613,554	\$ 5,522	\$ 5,522	\$ 0
Lincoln Township				
State Share	80,750	727	0	727
	<u>\$ 694,304</u>	<u>\$ 6,249</u>	<u>\$ 5,522</u>	<u>\$ 727</u>

DEBT RETIREMENT FUND (1.6250 MILLS)
(1999 BOND ISSUE)

<u>OSCEOLA COUNTY</u>				
Leroy Township				
School District Share	\$ 613,554	\$ 997	\$ 997	\$ 0
Lincoln Township				
School District Share	80,750	131	0	131
	<u>\$ 694,304</u>	<u>\$ 1,128</u>	<u>\$ 997</u>	<u>\$ 131</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

COMPARATIVE SCHEDULE OF INVESTMENTS
JUNE 30,

	2007		2006	
	INTEREST		INTEREST	
	RATE	AMOUNT	RATE	AMOUNT
<u>GENERAL FUND</u>				
Michigan School District	0.00% to		0.00% to	
Liquid Asset Fund Plus	5.07%	<u>\$ 3,503,975</u>	5.27%	<u>\$ 3,000,509</u>
<u>DEBT RETIREMENT FUND</u>				
Michigan School District	0.00% to		0.00% to	
Liquid Asset Fund Plus	5.07%	<u>\$ 375,686</u>	5.27%	<u>\$ 256,741</u>
<u>AGENCY FUND</u>				
Michigan School District	0.00% to		0.00% to	
Liquid Asset Fund Plus	5.07%	<u>\$ 72,270</u>	5.27%	<u>\$ 42,725</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF BONDS PAYABLE - 1998 BOND ISSUE
JUNE 30, 2007

<u>TITLE OF ISSUE</u>	1998 School Improvement Bond (Durant Settlement)
<u>PURPOSE</u>	This bond, including interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 to the School District.
<u>DATE OF ISSUE</u>	November 24, 1998
<u>INTEREST PAYABLE</u>	May 15th, of each year
<u>AMOUNT OF ISSUE</u>	\$ 105,448
<u>AMOUNT REDEEMED</u>	
Prior to Current Year	\$ 38,081
During Current Year	0
	38,081
<u>BALANCE OUTSTANDING - June 30, 2007</u>	\$ 67,367

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 15, 2009	4.070 %	\$ 7,405	\$ 7,405	\$ 0
May 15, 2010	4.070 %	49,753	2,908	46,845
May 15, 2011	4.070 %	7,405	835	6,570
May 15, 2012	4.070 %	7,405	568	6,837
May 15, 2013	4.070 %	7,404	289	7,115
		\$ 79,372	\$ 12,005	\$ 67,367

REDEMPTION OF BONDS PRIOR TO MATURITY This bond is not subject to redemption prior to maturity by the School District and the School District may not issue any other bonds or obligations for the purpose of refunding this bond.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF BONDS PAYABLE - 1999 BOND ISSUE
JUNE 30, 2007

DATE OF ISSUE

June 2, 1999

PURPOSE AND SECURITY

The Bonds were issued for the purpose of (i) refunding all of the School District's 1995 School Building and Site Bonds, dated August 1, 1995, maturing on May 1 in the years 2006 through 2021 (the "Prior Bonds"); and (ii) paying the costs of issuing the Bonds.

The Bonds were issued by the School District pursuant to the provisions of Act 202, Public Acts of Michigan 1943, as amended, Act 451, Public Acts of Michigan, 1976, as amended, and resolutions adopted by the Board of Education of the School District on January 11, 2001, and May 10, 2001.

The Bonds are a full faith and credit unlimited tax general obligation of the School District and the principal thereof and interest thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the School District without limitation as to rate or amount.

INTEREST PAYABLE

May 1, and November 1,

INTEREST RATES

3.90% to 5.00%

AMOUNT OF ISSUE

\$ 6,670,000

AMOUNT REDEEMED

Prior to Current Year

\$ 470,000

During Current Year

285,000

755,000

BONDS OUTSTANDING - June 30, 2007

\$ 5,915,000

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF BONDS PAYABLE - 1999 BOND ISSUE
JUNE 30, 2007

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2007		\$ 138,516	\$ 138,516	
May 1, 2008	4.25 %	438,516	138,516	\$ 300,000
November 1, 2008		132,141	132,141	
May 1, 2009	4.35 %	452,141	132,141	320,000
November 1, 2009		125,181	125,181	
May 1, 2010	4.35 %	465,181	125,181	340,000
November 1, 2010		117,786	117,786	
May 1, 2011	4.40 %	472,786	117,786	355,000
November 2011		109,976	109,976	
May 1, 2012	4.45 %	479,976	109,976	370,000
November 1, 2012		101,744	101,744	
May 1, 2013	4.55 %	491,744	101,744	390,000
November 1, 2013		92,871	92,871	
May 1, 2014	4.60 %	502,871	92,871	410,000
November 1, 2014		83,441	83,441	
May 1, 2015	4.70 %	513,441	83,441	430,000
November 1, 2015		73,336	73,336	
May 1, 2016	4.75 %	523,336	73,336	450,000
November 1, 2016		62,649	62,649	
May 1, 2017	4.80 %	532,649	62,649	470,000
November 1, 2017		51,369	51,369	
May 1, 2018	4.85 %	546,369	51,369	495,000
November 1, 2018		39,365	39,365	
May 1, 2019	4.90 %	559,365	39,365	520,000
November 1, 2019		26,625	26,625	
May 1, 2020	5.00 %	551,625	26,625	525,000
November 1, 2020		13,500	13,500	
May 1, 2021	5.00 %	553,500	13,500	540,000
		<u>\$ 8,252,000</u>	<u>\$ 2,337,000</u>	<u>\$ 5,915,000</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF BONDS PAYABLE - 1999 BOND ISSUE
JUNE 30, 2007

REDEMPTION OF BONDS PRIOR TO MATURITY

A. Mandatory Redemption of Term Bonds

The Bonds maturing on May 1, 2021, are term bonds (the "Term Bonds") subject to mandatory redemption, in part, by lot, on the redemption dates and in the principal amounts set forth below and at a redemption price equal to the principal amount of such Bonds, without premium, together with interest on such Bonds to the redemption date. When Term Bonds are purchased by the School District and delivered to the Paying Agent for cancellation or are redeemed in a manner other than by mandatory redemption, the principal amount of the Term Bonds affected shall be reduced by the principal amount of the Bonds so redeemed or purchased in the order determined by the School District.

Term Bonds due May 1, 2021	
Redemption Dates	Principal Amounts
May 1, 2021 (maturity)	\$ 540,000

REDEMPTION OF BONDS PRIOR TO MATURITY

B. Optional Redemption

The Bonds or portions of Bonds in multiples of \$5,000, maturing on or after May 1, 2010, are subject to redemption prior to maturity at the option of the School District in such order as the School District may determine, by lot within any maturity, on any interest payment date occurring on or after May 1, 2009, at par and accrued interest to the date fixed for redemption.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL OBLIGATION BONDS CONTINUING DISCLOSURE
JUNE 30, 2007

PROPERTY VALUATIONS

In accordance with Act 539, Public Acts of Michigan, 1982, and Article IX, Section 3 of the Michigan Constitution, the ad valorem state equalized valuation represents 50% of true cash value. State equalized valuation does not include any value of tax exempt property (e.g. churches, governmental property) or property granted tax abatements under either Act 198, Public Acts of Michigan, 1974, as amended, or Act 255, Public Acts of Michigan, 1978, as amended. As a result of Proposal A, ad valorem property taxes are assessed on the basis of taxable value, which is subject to assessment caps. State Equalized Value is used in the calculation of Debt Margin and True Cash Value.

Taxable property in the School District is assessed by the local municipal assessor, and is subject to review by the County Equalization Department.

<u>YEAR</u>		<u>TAXABLE VALUE</u>	<u>YEAR</u>		<u>TAXABLE VALUE</u>
2006	\$	200,665,649	2001	\$	144,357,470
2005	\$	186,433,426	2000	\$	133,133,168
2004	\$	175,021,707	1999	\$	125,909,067
2003	\$	163,562,010	1998	\$	119,240,654
2002	\$	155,111,348	1997	\$	113,575,913

* A total of \$113,712,467 of the 2006 Taxable Value not including industrial facility tax valuations is classified as homestead property.

Source: Counties of Wexford, Osceola and Lake Equalization Departments.

Per Capita Valuation

2005 Per Capita Taxable Value	\$	33,444
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Industrial Facilities Tax

Act 198 of the Public Acts of Michigan, 1974, as amended ("Act 198"), provides significant property tax incentives to industry to renovate and expand aging plants and to build new industrial facilities in Michigan. Under the provisions of Act 198, qualifying cities, villages and townships may establish districts in which industrial firms are offered certain property tax incentives to encourage restoration or replacement of obsolete industrial facilities and to attract new industrial facilities.

Property tax owners situated in such districts pay an Industrial Facilities Tax ("IFT") in lieu of ad valorem taxes on the facility and equipment for a period of up to 12 years. For rehabilitated plant and equipment, the IFT is determined by calculating the product of the state equalized valuation of the replacement facility in the year before the effective date of the abatement certificate multiplied by the total mills levied by all taxing units in the current year. New plants and equipment receiving their abatement certificate prior to

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL OBLIGATION BONDS CONTINUING DISCLOSURE
JUNE 30, 2007

January 1, 1994 are taxed at one-half the total mills levied by all taxing units, other than mills levied for local and intermediate school district operating purposes or under the State Education Tax Act, plus one-half of the number of mills levied for school operating purposes in 1993. For new facility abatements granted after 1993, new plants and equipment are taxed at one-half of the total mills levied as ad valorem property taxes by all taxing units except mills levied under the State Education Tax Act, plus the number of mills levied under the State Education Act. For new facility abatements granted after 1993, the State Treasurer may permit abatement of all, none or one-half of the mills levied under the State Education Tax Act. It must be emphasized, however, that ad valorem property taxes on land is not reduced in any way since land is specifically excluded under Act 198.

The School District has the following IFT abatements outstanding within its boundaries:

Company	Expires 12/31	Type	2006 Value
Northern Precision Machine Products, Inc.	2007	New	\$ 69,354
Michiana Box & Crate, Inc.	2009	New	80,750
Leroy Tool & Die, Inc.	2010	New	16,398
Advanced Fibermolding, Inc.	2010	New	485,304
Leroy Tool & Die, Inc.	2011	New	42,498
Total			<u>\$ 694,304</u>

Source: School District

MAJOR TAXPAYERS

The top ten taxpayers in the School District and their 2006 Taxable Value are as follows:

<u>Taxpayer</u>	<u>Taxable Value</u>
Heritage Broadcasting Co.	\$ 1,455,823
Consumer Energy Co.	1,358,709
Michigan Consolidated Gas Co.	1,243,034
Great Lakes Energy	1,303,370
Department of Natural Resources	912,547
Paul and Linda Roose	485,702
Larry and Elaine Gingrich	431,538
Wolverine Power Supply	349,832
LeRoy Tool & Die, Inc.	477,100
Rose Golf Partners, LLC	428,100
TOTAL	<u>\$ 8,445,755</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL OBLIGATION BONDS CONTINUING DISCLOSURE
JUNE 30, 2007

The Taxable Values of the above taxpayers represent 4.21% of the School District's 2006 Taxable Value of \$200,665,649.

Source: Osceola, Lake and Wexford County Equalization Departments.

TAX RATES (Per \$1,000 of Valuation)

Under Michigan statutes, the property tax base used for levies authorized for school districts is the same as that used for county, township, special authority, and city levies. Each school district, county, township, special authority and city has a geographical definition which constitutes a tax district. Since local school districts and the county overlap either a township or a city, and intermediate school districts overlap local school districts and county boundaries, the result is many different tax rate districts.

School District Tax Rates

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<u>Pine River Area Schools</u>					
Voted	18.0000	18.0000	17.1162	18.0000	18.0000
Debt	<u>3.2500</u>	<u>3.2000</u>	<u>3.5000</u>	<u>3.6000</u>	<u>3.7000</u>
Total	<u>21.2500</u>	<u>21.2000</u>	<u>20.6162</u>	<u>21.6000</u>	<u>21.7000</u>
TOTAL HOMESTEAD	<u>3.2500</u>	<u>3.2000</u>	<u>3.5000</u>	<u>3.6000</u>	<u>3.7000</u>
TOTAL NON-HOMESTEAD	<u>21.2500</u>	<u>21.2000</u>	<u>20.6162</u>	<u>21.6000</u>	<u>21.7000</u>

Other Tax Rates

State Education Fund *	6.0000	6.0000	5.0000	6.0000	6.0000
Osceola County	7.0506	9.1999	9.1661	9.2373	9.2252
Wexford-Missaukee I/S/D	5.9614	5.9583	6.0003	6.0388	6.0597
Lake County	11.2545	11.4961	11.3716	11.5497	11.6748
Wexford County	10.1331	10.1620	10.1660	11.2128	10.1245
Village of Leroy	5.3254	5.3254	5.3254	5.4514	5.6282
Village of Luther	10.0000	10.0000	10.0000	10.0000	10.0000
Village of Tustin	10.0000	10.0000	10.0000	10.0000	10.0000

- * Pursuant to a ballot proposal approved by the electors of the State of Michigan on March 15, 1994, beginning with the December 1, 1994, tax levy, the State of Michigan levies 6.00 mills (5.00 mills for 2004) for school operating purposes on all homestead and non-homestead property located within the School District. The School District levies up to 18.00 mills of voted operating millage on non-homestead property and levies authorized debt millage on all homestead and non-homestead property located with the School District.

Source: School District.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL OBLIGATION BONDS CONTINUING DISCLOSURE
JUNE 30, 2007

STATE AID PAYMENTS

Historically, the School District levied taxes for school operating revenues at much higher rates than currently being levied. In 1994, the State of Michigan significantly modified the mechanisms for school finance. The School District receives a state aid foundation allowance per pupil. The District received no increase in the foundation allowance for the fiscal year 2005/2006. In future years, this allowance may be adjusted by an index based upon the change in revenues to the state school aid fund and the change in the total number of pupils' state wide.

The following table shows a seven year history of the School District's total state aid collections, including categoricals and other amounts, and the per pupil state aid foundation allowance, which reflects the changes in sources of school operating revenue described above:

<u>Year</u>	<u>Total</u>	<u>State Amount Received Per Pupil</u>	<u>Foundation Allowance Per Pupil</u>
2006/2007	\$ 8,119,734	\$ 6,373	\$ 7,085
2005/2006	8,094,964	6,359	6,875
2004/2005	8,112,152	6,054	6,700
2003/2004	8,204,749	6,033	6,700
2002/2003	8,334,957	6,079	6,700
2001/2002	8,332,053	6,007	6,300
2000/2001	7,826,563	5,679	6,000

Source: Michigan Department of Education and School District

TAX LEVIES AND COLLECTIONS

The School District's fiscal year begins July 1 and ends June 30. School District property taxes are due December 1 of each fiscal year and are payable without interest or penalty on or before the following February 14. All real property taxes remaining unpaid on March 1st of the year following the levy are turned over to the County Treasurers for collection. Osceola, Lake and Wexford Counties annually pay from their Tax Revolving Funds delinquent taxes on real property to all taxing units in the Counties, including the School District, shortly after the date delinquent taxes are returned to the County Treasurers for collection. The payments from these funds have resulted in collections of taxes approaching 100% for all taxing units. Delinquent personal property taxes are negligible.

A history of tax levies and collections for the School District is as follows:

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL OBLIGATION BONDS CONTINUING DISCLOSURE
JUNE 30, 2007

YEAR	OPERATING TAX LEVY	COLLECTIONS TO MARCH 1, EACH YEAR		COLLECTIONS PLUS FUNDING TO JUNE 30, EACH YEAR	
2006/07	\$ 1,565,158	\$ 1,372,263	87.68%	\$ 1,564,252	99.94%
2005/06	1,451,225	1,278,051	88.07%	1,445,160	99.58%
2004/05	1,357,255	1,211,263	89.24%	1,352,261	99.63%
2003/04	1,197,838	1,055,487	88.12%	1,183,623	98.81%
2002/03	1,215,185	1,040,483	85.62%	1,206,385	99.28%
2001/02	1,132,916	987,154	87.13%	1,127,483	99.52%
2000/01	1,043,915	892,673	85.51%	1,037,260	99.36%
1999/00	966,480	827,902	85.66%	961,497	99.48%
1998/99	962,334	821,364	85.35%	960,372	99.80%
1997/98	953,714	812,194	85.16%	953,512	99.98%

Source: School District

The Tax Revolving Funds are financed through the issuance of General Obligation Limited Tax Notes (GOLTNs). Although the Counties anticipate the continuance of these programs, the ability to issue such GOLTNs is subject to Michigan Department of Treasury approval and market conditions at the time of offering. In addition, Act 206 of 1893, as amended, provides in part that: "The primary obligation to pay to the county the amount of taxes and interest thereon shall rest with the local taxing units, and if the delinquent taxes which are due and payable to the counties are not received by the counties for any reason, the counties have full right of recourse against the taxing unit to recover the amount thereof and interest thereon..." On the first Tuesday in May in each year, a tax sale is held by the Counties at which lands delinquent for taxes assessed in the third year preceding the sale, or in a prior year, are sold for the total of the unpaid taxes of those years.

The General Property Tax Act was amended by Act 123 of the Public Acts of Michigan of 1999. Act 123, which was signed by Governor Engler on July 22, 1999, extensively revises the procedures for the collection of delinquent property taxes. Act 123 has the effect of shortening the process for the collection of delinquent taxes from approximately six years (including statutory redemption periods) to less than three years.

LABOR FORCE

A breakdown of the number of employees of Pine River Area Schools and their affiliation with organized groups is as follows:

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL OBLIGATION BONDS CONTINUING DISCLOSURE
JUNE 30, 2007

EMPLOYEES	NUMBER	BARGAINING UNIT	CONTRACT EXPIRATION
Administrators	5	Non Affiliated	N/A
Teachers	76	Pine River Ed. Assn./MEA/NEA	8/31/07
Secretaries	6	Pine River Ed. Sup. Assn./MEA/NEA	8/31/08
Aides	11	Pine River Ed. Sup. Assn./MEA/NEA	8/31/08
Custodians	9	Pine River Ed. Sup. Assn./MEA/NEA	8/31/08
Transportation	15	Pine River Ed. Sup. Assn./MEA/NEA	8/31/08
Food Service	6	Pine River Ed. Sup. Assn./MEA/NEA	8/31/08
Central Office Staff	6	Non Affiliated	N/A
TOTAL STAFF	134		

The School District has not experienced a strike by any of its bargaining units within the past twenty years.

PENSION FUND

For the period from October 1, 1997 through September 30, 1998, the School District paid an amount equal to 11.12% of its employees' wages to the Michigan Public School Employees Retirement System ("MPERS") which is administered by the State of Michigan. For the period from October 1, 1999, through September 30, 2000, the applicable percentage is 11.66%. For the period October 1, 2000, through September 30, 2001, the applicable percentage is 12.16%. For the period October 1, 2001, through September 30, 2002, the applicable percentage is 12.17%. For the period October 1, 2002, through September 30, 2004, the applicable percentage is 12.99%. For the period October 1, 2004, through September 30, 2005, the applicable percentage is 14.87%. For the period October 1, 2005, through September 30, 2006, the applicable percentage is 16.34%. These contributions are required by law. The School District's contributions for the past five years are shown below. The School District does not have an unfunded accrued liability under MPERS. For the period October 1, 2006, through September 30, 2007, the applicable percentage is 17.74%.

<u>YEAR ENDING</u> <u>JUNE 30</u>	<u>PAID TO</u> <u>PENSION FUND</u>
2007	\$ 1,033,284
2006	914,071
2005	840,420
2004	776,744
2003	811,992
2002	770,917

Effective January 1, 1987, members of MPERS may irrevocably elect to contribute a percentage of their gross wages on a tax deferred basis to a "member investment plan" ("MIP") which qualifies them for additional benefits. The current contribution rate of 3.9% became effective January 1, 1990, representing a change from the previous contribution rate of 4%. This option to review and adjust the contribution rate is available to MPERS members, if necessary, every three years. All employees hired after January 1, 1990

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL OBLIGATION BONDS CONTINUING DISCLOSURE
JUNE 30, 2007

will contribute to the plan at a graduated rate of their gross wages. If a member leaves MPSERS service before a retirement benefit has vested, the member's accumulated contributions to MIP, plus interest, if any, are refundable.

DEBT STATEMENT (As of June 30, 2007)

DIRECT DEBT

DATE ISSUE	PURPOSE	TYPE	INTEREST SPREAD	MATURITIES	AMOUNT OUTSTANDING
11/24/98	School Improvement		4.07%	05-15-10/2013	\$ 67,367
06/02/99	Refunding	UTQ	4.25%-5.00%	05-01-08/2021	5,915,000
					<u>\$ 5,982,367</u>

SCHOOL ENROLLMENT

Historical enrollment for the School District (Fall Pupil Count Day) is as follows:

SCHOOL YEAR	ENROLLMENT	SCHOOL YEAR	ENROLLMENT
2006/07	1,274	1999/00	1,383
2005/06	1,273	1998/99	1,411
2004/05	1,322	1997/98	1,385
2003/04	1,342	1996/97	1,380
2002/03	1,350	1995/96	1,416
2001/02	1,387	1994/95	1,382
2000/01	1,374	1993/94	1,367

Enrollment by grades - 2006/07 (Fall Pupil Count Day) is as follows:

Kindergarten	75	Seventh	93
First	70	Eighth	106
Second	81	Ninth	104
Third	86	Tenth	105
Fourth	82	Eleventh	115
Fifth	90	Twelfth	123
Sixth	98	Special Education	46
		TOTAL	<u>1,274</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL OBLIGATION BONDS CONTINUING DISCLOSURE
JUNE 30, 2007

Projected enrollment - (2007/08) is as follows:

K-5	470
6-8	260
9-12	381
Special Education	<u>126</u>
Total	<u><u>1,237</u></u>

Source: School District

GENERAL FUND BUDGET SUMMARY

See Budgetary Comparison Schedule - General Fund on Page 24

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
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September 13, 2007

LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Education
Pine River Area Schools
Leroy, Michigan

Dear Members of the Board and Administrators:

As a result of our audit of the financial statements of the Pine River Area Schools for the year ended June 30, 2007, we would like to take this opportunity to comment on the following items relative to the management and accounting procedures of the School District.

Continuing Disclosure Report

Regulations relative to the bond issue refunding in 1999 require that the District provide annual continuing disclosure information to the bondholders until all of the bonds are paid in full. These disclosures can be included as supplemental information with the audit report or the school can provide this information separate from the audit. In the past, we have included the data right in the audit report and have accumulated this data with the assistance of your accounting staff and the county equalization departments so that the disclosure requirements are met. We have discussed this with the administration and will currently continue to include this data in your annual audit.

New Budget Requirement

Section 18(2) of the State School Aid Act now requires local districts to post their annual operating budget and subsequent amendments on their website.

Single Audit Report

The Pine River Area Schools received over \$500,000 in federal funds and, therefore, are required to have a "Single Audit" in accordance with various federal and state guidelines. We will be completing the required Single Audit and will issue our reports thereon under a separate cover from your regular annual financial statements.

We recommend the Board and administration review the reports in the Single Audit for the year ended June 30, 2007.

Act 621 (Uniform Budgeting and Accounting Act)

Our comments relative to the District's budgeting procedures are as follows:

- (1) Several activities in the General Fund exceeded the budgeted amounts. We commend the Superintendent and staff on a job well done on the District's budgeting process.

The District should continue to monitor its budgets on an ongoing basis and make budget amendments prior to incurring expenditures in excess of budgeted amounts.

Accounting Records Procedures

We would like to compliment the accounting staff for their cooperation and assistance during the audit process. In addition, the increased business activity coupled with changes to the accounting system have all created additional demands on the accounting personnel. This expanded workload, however, has been absorbed without sacrificing the quality of the accounting records or minimizing existing internal controls. We also feel that this year's audit was performed in an efficient and organized manner. We would like to congratulate the accounting staff for their hard work and dedication to the District.

We would like to thank the Board for this opportunity to be of continuing service. We would also like to thank the administration and staff for their cooperative spirit and assistance in helping us complete this engagement. If we can be of further assistance, please do not hesitate to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

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September 13, 2007

Board of Education
Pine River Area Schools
Leroy, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pine River Area Schools, Leroy, Michigan as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Pine River Area Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the District and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented,

the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described above constitute material weaknesses.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P. C.

Baird, Cotter & Bishop, P.C.

PINE RIVER AREA SCHOOLS

LEROY, MICHIGAN

SINGLE AUDIT

JUNE 30, 2007

Baird, Cotter and Bishop, P.C.

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PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SINGLE AUDIT
YEAR ENDED JUNE 30, 2007

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Baird, Cotter and Bishop, P.C.

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September 13, 2007

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Pine River Area Schools
Leroy, Michigan

COMPLIANCE

We have audited the compliance of Pine River Area Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Pine River Area Schools major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Pine River Area Schools' management. Our responsibility is to express an opinion on Pine River Area Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pine River Area Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Pine River Area Schools' compliance with those requirements.

In our opinion, Pine River Area Schools complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

INTERNAL CONTROL OVER COMPLIANCE

The management of Pine River Area Schools' is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Pine River Area Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type or compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the district's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the district's internal control. A material weakness is a significant deficiency, or a combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the district's internal control.

Our consideration of the internal control over compliance was limited for the purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pine River Area Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated September 13, 2007. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Pine River Area Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2007	ADJUSTMENTS
U.S. Department of Education								
Passed Through Michigan Department of Education (M.D.E.)								
Title I Grants to Local Education Agencies								
Project No. 071530-0607	84.010	\$ 325,510	\$ 0	\$ 0	\$ 325,510	\$ 325,510	\$ 0	\$ 0
Service Provider Self Review								
Project No. 070440-0607	84.027A	4,000	0	0	4,000	4,000	0	0
Title V - LEA Allocation								
Project No. 070250-0607	84.298	4,703	0	0	4,703	4,703	0	0
Title II Part D Enhancing Education Through Technology								
Project No. 074290-0607	84.318	3,341	0	0	3,341	3,341	0	0
Project No. 064280-5B	84.318	114,000	0	0	114,000	114,000	0	0
Total	84.318	117,341	0	0	117,341	117,341	0	0
Comprehensive School Reform Demonstration								
Project No. 061870-0607	84.332	93,000	0	0	93,000	93,000	0	0
Project No. 051880-0506	84.332	101,800	16,947	101,800	0	6,100	0	(10,847)
Total	84.332	194,800	16,947	101,800	93,000	99,100	0	(10,847)
Safe and Drug Free Schools and Communities								
Project No. 072860-0607	84.186	7,668	0	0	7,668	7,668	0	0
Title II A - Improving Teacher Quality								
Project No. 070520-0607	84.367	105,912	0	0	105,912	105,912	0	0
Total Passed Through M.D.E.		759,934	16,947	101,800	658,134	664,234	0	(10,847)
Total U.S. Department of Education		759,934	16,947	101,800	658,134	664,234	0	(10,847)
U.S. Department of Health and Human Services								
Passed Through Michigan Family Independence Agency								
Family Preservation/Support Services								
Project No. SFSC-06-67001-2	93.556	24,500	0	0	24,500	19,994	4,506	0
Passed Through Intermediate School District (I.S.D.)								
Medicaid Outreach								
Project No. None	93.778	8,075	0	0	8,075	8,075	0	0
Total U.S. Department of Health and Human Services		32,575	0	0	32,575	28,069	4,506	0

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2007	ADJUSTMENTS
U.S Department of Agriculture								
Passed Through Michigan Department of Education								
Child Nutrition Cluster								
National School Lunch								
Section 4 - Total Servings -061960 and 071950	10.555	36,720	0	0	36,720	36,720	0	0
Section 11 - Total Servings - 061960 and 071960	10.555	183,908	0	0	183,908	183,908	0	0
Total	10.555	220,628	0	0	220,628	220,628	0	0
National School Lunch Breakfast Program								
Breakfast 061970 and 071970	10.553	77,310	0	0	77,310	77,310	0	0
Total Child Nutrition Cluster		297,938	0	0	297,938	297,938	0	0
Food Distribution								
Entitlement Commodities	10.550	41,220	0	0	41,220	41,220	0	0
Bonus Commodities	10.550	140	0	0	140	140	0	0
Total	10.550	41,360	0	0	41,360	41,360	0	0
Total Passed Through M.D.E.		339,298	0	0	339,298	339,298	0	0
Passed Through Lake County								
National Forest								
Schools and Roads Grant	10.665	9,139	0	0	9,139	9,139	0	0
Total U.S. Department of Agriculture		348,437	0	0	348,437	348,437	0	0
Total Federal Financial Assistance		\$ 1,140,946	\$ 16,947	\$ 101,800	\$ 1,039,146 (B)	\$ 1,040,740 (C)	\$ 4,506	\$ (10,847)

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(A) Significant Accounting Policies Used in Preparing Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting and presents transactions in the same manner as reflected in the basic financial statements of the school district. The significant accounting policies used are described in footnote (1) to the June 30, 2007, basic financial statements.

(B) Reconciliation of Revenues with Expenditures for Federal Financial Assistance Programs

Revenues from Federal Sources - Per Statement of Revenues,	
Expenditures and changes in Fund Balances -	<u>\$1,039,146</u>
 Federal Expenditures per Schedule of Expenditures of Federal Awards	 <u>\$1,039,146</u>

(C) Reconciliation of Grant Section Auditor's Report with Schedule of Expenditures of Federal Awards

Management has utilized the Cash Management System (CMS) Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

Current Cash Payments per Cash Management System (CMS)		\$1,149,841
Add Items Not on CMS Report:		
Amounts Received as Pass Through from Michigan Department of Education Comprehensive School Reform Demonstration	\$ 6,100	
Amounts Received as Pass Through from Intermediate School District Medicaid Outreach	8,075	
Amounts Received as Pass Through from Family Independence Agency	19,994	
Amounts Received as Pass Through from Food Distribution Program Entitlement Commodities Bonus Commodities	41,220 140	
Amounts Received as Pass Through from Lake County National Forest Schools and Roads Grant	<u>9,139</u>	84,668

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Amounts reported on 6/30/07 R7120 Grant Section Auditors

Report not recorded on CMS Auditor Report

Child Nutrition Cluster

National School Lunch Program

220,628

National School Breakfast Program

77,310

297,938

Reconciliation of errors on new CMS Report

Title I 061530-0506

(356,619)

Title V 060250-0506

(10,132)

Title II D 064290-0506

(6,653)

Safe and Drug Free Schools and Communities

Project No. 062860-0506

(10,481)

Title VI 060660-0506

Title II A 060520-0506

(107,822)

(491,707)

Current Year Receipts (Cash Basis) per

Schedule of Expenditures of Federal Awards

\$1,040,740

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September 13, 2007

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Pine River Area Schools
Leroy, Michigan

We have audited the financial statements of Pine River Area Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated September 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Pine River Area School' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pine River Public School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pine River Area School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the district's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the district's financial statements that is more than inconsequential will not be prevented or detected by the district's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (Section II) to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the district's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Pine River Area School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Pine River Area School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, others within the district, and federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Finding 2006-a (from the 2005/2006 fiscal year)

The District has a limited number of people involved in the accounting function due to financial constraints in allocating resources to this activity. This condition hampers the ability of the District to adequately segregate duties to enhance internal control.

The District is aware of this limitation and continues to explore cost effective measures to improve this internal control limitation.

This finding is repeated for the current fiscal year.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Significant Deficiencie(s) identified: X Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Significant Deficiencie(s) identified: Yes X No

Significant deficiencies identified that are not considered to be material weakness(es)? Yes X No

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I – Improving Basic Programs
84.332	Comprehensive School Reform
84.367	Title II A - Improving Teacher Quality

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Section II - Findings - Basic Financial Statements Audit

2007-A

1) Lack of Adequate Internal Controls

The relatively small number of people involved in the accounting functions of the District make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. We realize that it is not financially practical for the Board to establish a larger accounting staff in order to implement proper segregation of duties.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the district's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the district's financial statements that is more than inconsequential will not be prevented or detected by the district's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the district's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Corrective Action Plan

Inadequate segregation of duties

With the status of state funding, the District is unable to hire additional employees at this time to improve the segregation of duties within the accounting function. We realize that segregation of duties is important in order to increase internal control. Management oversight has been an alternative means of monitoring internal control along with continuing to try and reassign some duties within the accounting department to other staff members. We still are exploring ways to spread some of the day-to-day accounting responsibilities. The District and Superintendent will continue to monitor the situation and explore cost effective ways to improve this internal control limitation.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

2007-B U.S. DEPARTMENT OF EDUCATION

Title II – CFDA No. 84.367

Reading First State Grants

Grant Period July 1, 2006 to June 30, 2007

Statement of Condition:

The District did not comply with OMB Circular A-87 regarding federal timekeeping requirements.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Criteria:

“Time/salaries spent working on federal programs must be documented for co-funded and 100% funded staff in compliance with OMB Circular A-87, Attachment B, Item 8h. Acceptable methods for co-funded staff include written schedules if they are documented by personnel activity reports (PARs) confirming that the schedules were followed (e.g., directors, secretaries, counselors). The PARs must be prepared at least monthly, be signed and dated by the employee, and account for the staff person’s total activity. Time sheets and other records should be completed after-the-fact. Employees should never guess the amount of hours they will spend on federal programs before work is actually performed.”

“Instructional staff may use their lesson plans to confirm that their written schedules were followed if: (1) after-the-fact notes are made on those plans to indicate the completion of each scheduled activity; (2) the lesson plans account for the total time the employee is compensated; (3) the lesson plans are prepared at least monthly and coincide with one or more pay periods; and (4) the completed lesson plans are signed by the employee. If a district elects to use this method, it must retain the lesson plans as timekeeping records.”

“Para professionals may use their regular time sheets as long as they; a) reflect an after the fact distribution of their actual activity, (b) account for the total activity for which they are compensated, showing the hours or percentages for the programs they worked on, (c) are prepared at least monthly and coincide with one or more pay periods, and (d) are signed by the employee.”

“OMB Circular A-87 requires that when employees are expected to work solely on a single federal award or cost objective, charges for their salaries will be supported by periodic certifications that the employees worked solely on that program for the semi-annual period covered by the certification. These certifications must be prepared at least semi-annually and be signed by the employee or a supervisor with first-hand knowledge of the work performed by the employee. If a supervisor has first-hand knowledge of work performed by several employees each working on a single cost objective, the supervisor can use a blanket certification that lists all of the employees, the program that they worked on and the period covered. One supervisory signature would be adequate.”

Effect:

Without the required certifications and timekeeping support, the District has increased the risk that federal funds may be expended on non-federal expenditures. We however, did not note any unallowable expenditures of this type occurring.

Cause:

The District was not persistent enough with employees to get timekeeping documentation. 100% certifications were not signed until the District’s federal grants were approved which was after the second semester had started.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Auditor Recommendation:

The District should obtain the required certifications set forth by OMB Circular A-87.

District Response:

The District will immediately begin to comply with this requirement.

2007-C U.S. DEPARTMENT OF EDUCATION

Title 1 – CFDA No. 84.010

Title II A – Improving Teacher Quality

Grant Period July 1, 2006 to June 30, 2007

Statement of Condition:

The District did not comply with the Cash Management Improvement Act (CMIA), which governs payments to local education agencies.

Criteria:

“Three days cash needs is the amount of estimated cash needs for the next three calendar days.”

Effect:

The District received cash advances before the related expenses had been paid.

Cause:

The District was not aware of the 3-Day Rule and were under the impression they had 30 days from the date of advance in which to incur the related costs.

Auditor Recommendation:

The District should comply with the 3-day cash advance rule.

District Response:

The District will immediately begin to comply with this requirement.

Section III – Federal Award Findings and Questioned Costs

None